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MEMORANDUM

TO:

[Redacted]

Executive for Personnel and Administration

FROM:

Lawrence R. Houston  
General Counsel

SUBJECT:

Special Funds Problems

1. The Special Funds Division, SSU, previously has presented to you a number of questions in general form to be answered before the Special Funds Division becomes an operating section in CIC. This memorandum is concerned with three of these questions.

2. The first question is concerned with the bonding policy which will be adopted for personnel having custody of special funds. Attached is a memorandum from the Chief, Special Funds, to the Director, SSU, giving in detail the situation involved.

(a) As to special agents or agent-cashiers who will be advanced funds by the Treasury, the amount of the bond and type of bond will be prescribed by the Treasury Department. In the case of those persons hired to fill this type of position, the expense of the bond is, of course, a personal expense of such an individual. [Redacted] has suggested where the Director determines that the employment of an individual does not primarily involve his acting as a special agent that the bonding expense could be paid by the Treasury. However,

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the general rule is that any bonding expense, where an individual is to disburse Government funds, is paid by the individual inasmuch as his bond is a personal qualification for the position which he is to fill. Therefore, a determination of this matter is necessary for the guidance of Special Funds.

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(b) [redacted] has suggested that field agents, i.e., those persons who will disburse special funds at overseas stations, be bonded in the amount of \$10,000, and the full cost of such bonding to be paid by the employee. This amount appears to be reasonable and the matter is entirely a question of internal policy.

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(c) It is further suggested by the Special Funds Division that other employees of such Division who are operating undercover, or operational personnel who may be temporary custodians of funds or to whom substantial advances may have been made, would not be bonded for reasons of security and practicality. It appears that the policy in each case of this type would depend on the security factors involved and the amount of money in the possession of such an individual.

3. The next question to be considered is the statement of policy concerning the expenditure of special funds which would constitute the Special Funds regulations. As you know, these regulations have been prepared in substance for some time and have met with the approval of both Staff "A" and Staff "B", and in addition have been approved by [redacted]

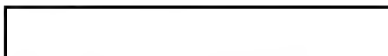
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[redacted] In order to apply the regulations,

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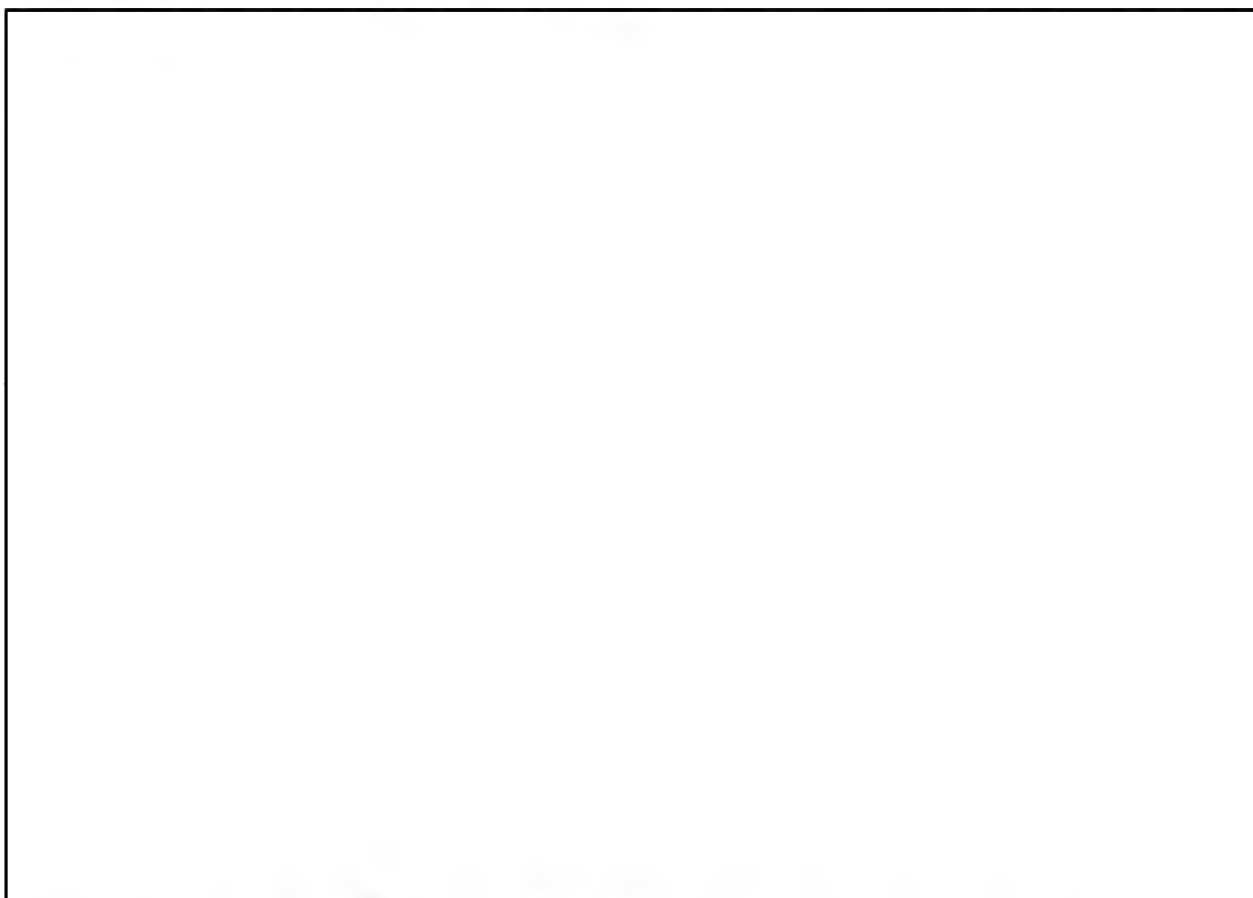


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as prepared, to the whole of CIG, it will be necessary that the final organizational structure of CIG be furnished. In addition, it would be helpful if those preparing the regulations could discuss with you the proposed CIG organization in order to determine which sections will be concerned with the expenditure of special funds.

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5. The problems mentioned above have not been discussed in detail since it was felt desirable to discuss the matter with you in person. The Special Funds Division is very anxious to have the answers to these questions, and some of them must be answered before CIG can obtain an operating Special Funds Division.

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LAWRENCE R. HOUSTON  
General Counsel

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